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SUBJECT: Sharp Doubles Down, Heavily Invests in Solar Boom

REF: (A) OSAKA KOBE 24
(B) TOKYO 596

¶1. (SBU) Summary: In follow up to a meeting earlier this year (Ref A), we toured Sharp Corporation's state-of-the-art 160mw capacity photovoltaic (PV) plant in Katsuragi, Nara with Embassy's Energy Attach and discussed with senior executives from Sharp's Solar Group, the company's short and mid-term plans to expand solar panel production facilities in Japan, Europe and the United States. Following the opening in March 2010 of its 480mw PV facility in Sakai City, Osaka Prefecture, Sharp plans in 2011, to open a 160mw thin-film PV facility in Italy. By 2012 when Sharp predicts PV demand will triple to nearly 16GW, Sharp hopes to have identified and begun development of a suitable site in the United States for a similar thin-film PV facility and soon thereafter, to expand crystalline PV production at its existing facility in Memphis, Tennessee. Longer term, Sharp is actively considering building a new crystalline PV facility somewhere in the United States. End Summary.

Executive Conversations

¶2. (SBU) Sharp's Katsuragi, Nara facility which opened in 1981 continues to produce state-of-the-art thin-film and crystalline solar cells. Work at the plant continued non-stop during the Golden Week holiday in April as the plant continued to produce a half million PV panels a day in keeping with its annual production of 160 mw of power generating capacity. In March 2010, Sharp will begin production at its new facility in Sakai City near Kansai International Airport with a projected production capacity of 480 mw per year, three times the production at the Katsuragi plant. Even before the opening of the Sakai plant, the company's solar panels currently account for half of those in use in Japan and for approximately 2 GW out of the total estimated worldwide solar power production of 8 GW, says Hideto Yamaji, Global Manager for Sharp's Solar Systems Group.

¶3. (SBU) Toshihiko Hirobe, Executive Officer and General Manager of Sharp's Solar System Group told us that when the Sakai plant comes on line, Sharp believes it will be able to boost its combined annual production above 1GW and lower the average cost of producing solar power to Y23/kwh in 2010. Sharp projects power generation parity by 2015 and Y14.3/kwh by 2020, but the company's longer term goal is to make solar power comparable in cost to the current Y7.1/kwh cost for nuclear power.

¶4. (SBU) Sharp's short-term focus is domestic growth, with overseas growth becoming a priority only after the 2010 opening of the Sakai PV plant, says Hirobe. He told us that the company has been working closely with Prime Minister Taro Aso's administration and has requested GOJ subsidies to facilitate technical developments and growth in the domestic solar power market. The solar feed-in-tariff (Ref B) has been a huge help, Hirobe added. After 2010, Sharp hopes that globalized production through expansion of its overseas production and assembly will help it to further reduce costs. He credits Sharp's Chairman and Chief Executive Officer Katsuhiko Machida with pushing Sharp's global solar expansion efforts.

¶5. (SBU) Dr. Tetsuroh Muramatsu, Executive Officer and General Manager of Sharp's Solar Systems Development Group added that Sharp recognizes that to improve its global and especially its research and development operations, it needs to be viewed as a domestic insider. To that end, Sharp's regional R&D centers in the United States, Europe, China and Japan are now led by individuals from those countries.

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Future Investments: First, a U.S. Thin-Film Plant

¶6. (SBU) Naoharu Matsuda, Chief of Global Business Development at Sharp's Solar System Group confirmed that Sharp is already engaged in Italy on a joint 160mw project for the manufacture of thin-film solar cell panels with ENEL, Italy's largest power company and by ¶2011. By 2012, he added, Sharp believes PV demand will have tripled to nearly 16GW, and the company wants to have located a suitable location for a thin-film plant in the United States, but the costs for building the projected U.S. facility remain a challenge. A newly establish 480 mw thin-film facility will employ 500-600 directly plus locally sourced associated component inputs such as glass. Initially, says Matsuda, Sharp plans to send the thin-film PV modules produced in the United States facility to the EU market.

And Then Crystalline Investment(s)

¶7. (SBU) Yamaji noted that eight to ten U.S. states including Kentucky, Virginia, California, Colorado and Oregon have approached Sharp about a variety of solar investments in their states. He indicated that while longer term Sharp wants to establish a new crystalline production facility in the United States, Sharp would likely move first to expand existing operations at its plant in Memphis, Tennessee that has been producing crystalline PV modules at the rate of 100 mw per year since May 2003. Yamaji mentioned Camas, Washington as a possible site under consideration, and confirmed that a new crystalline facility would have employment levels similar to that at Katsuragi which directly employs 1000 to 1500.

Sakai Smart Grid Project

¶8. (U) In conjunction with the opening of its new PV

plant in Sakai, Sharp is teaming with Kansai Electric Power Co. (KEPCO) to push the development of a smart power grid that smoothes the incorporation of power produced from solar and other alternative energy sources. In 2010, Sakai City will begin testing a system that connects individual homes in Sakai with solar power systems via the internet in an effort to centrally manage system-wide output. Sakai plans to absorb surplus electricity produced by residences by using it to help power the city's new light-rail system. Sharp hopes the initiative boosts sales of solar power systems and KEPCO seeks to fine-tune incorporation of alternative energy in line with its Renewable Portfolio Standard (RPS) obligations to curb carbon dioxide emissions and operating costs.

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